

# "PREPARING TO USE YOUR REAL ESTATE LICENSE"

## AREC'S POST LICENSE COURSE

### INTRODUCTION AND OVERVIEW

**GOALS:** *The goal of this course is to enable the participants to perform the operations involved in the practice of real estate in a professional manner in accordance with license law and in a manner that protects the consumer.*

#### OBJECTIVES

*Participants will be able to:*

- *Write a business plan, evaluate prospecting methods and the importance of good follow up, identify ways to manage time and money, and create a database.*
- *Identify the steps involved in working with a buyer.*
- *Explain to a buyer important issues including RECAD, fair housing, antitrust, inspections, disclosures, and financing.*
- *Apply good communication skills in the practice of real estate.*
- *Educate the buyer during the initial meeting.*
- *Show property in a professional and courteous manner.*
- *Write a clear, unambiguous purchase agreement and create an estimated closing cost sheet for a buyer and seller.*
- *Identify the steps involved in working with a seller.*
- *Explain to a seller important issues including RECAD, fair housing, antitrust, and laws regarding property disclosures.*
- *Prepare a CMA, a listing presentation and a marketing plan.*
- *Apply good negotiating skills when presenting offers to a client and demonstrate the proper way to present offers and counteroffers.*
- *Identify the steps involved in the completion/closing of a contract.*
- *Recognize areas of liabilities and how to avoid them.*
- *Identify how license law applies to the daily practice of real estate.*

#### A. Registration

**B. Classroom policies** (No cell phones, 90% attendance required, breaks, must have a license number to begin Post License, etc.) [Rule 790-X-1-.14; 790-X-1-.06(5)(f),(g),(h), (i),(l); 790-X-2-.03(2)]

**C. Instructions on applying for an original license.** [§ 34-27-33(c)(2); Rule 790-X-2-.03(1),(6)]

## **MODULE I**

### **BUSINESS PLAN AND PROSPECTING (3 Hours)**

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**GOAL:** *The goal of this section is to enable the participants to create an effective business plan and recognize the importance of using this plan to prospect.*

**OBJECTIVES:** *Participants will be able to:*

- *Create a database*
- *Identify ways to prospect*
- *Plan when and how to prospect*
- *Manage time and money effectively*
- *Develop a business plan*

#### **A. Creating a database**

1. Purpose of a business database
2. Building of a referral based business
3. Ways to segment database to maximize opportunities for contact
4. What medium or software to use
5. What information should be included

#### **B. Prospecting**

1. Sphere of influence
2. Geographical farming
3. Floor duty
4. Open houses
5. Niche market
6. Foreclosures
7. Cold calls
  - a) Do Not Call Registry
  - b) FSBOs
  - c) Expired listings

#### **C. Follow Up**

1. Database updating
2. Ways to follow up
3. Importance of personal contact
4. Importance of handwritten notes

#### **D. Time Management**

1. Balancing work and personal life
2. Determining where to spend your time
  - a) Business building
  - b) All other tasks

## **E. Budgeting your money**

1. Advertising your listings [[§34-27-36\(a\)\(6\),\(9\),\(15\)](#)]
2. Personal promotion
3. What can I get for free?
4. Plan ahead

## **F. Developing a business plan**

1. Cover page - Your name, business and date
2. Business summary - Describe your business
3. Overview - Your mission – What you want to achieve – Where you are going
4. Introduction - Business purpose
5. Business environment
  - a) Market research – Problems and possible solutions
  - b) Competition
6. Description of your service
  - a) Your selling points
  - b) Benefits to the consumer
  - c) Launch strategies
7. Marketing plan
  - a) Sales goals
  - b) Personal promotion
  - c) Marketing material
  - d) Distribution
  - e) Marketing calendar
  - f) Pricing
8. Financial plan
  - a) Income projection
  - b) Expense projection
9. Action plan
  - a) Yearly
  - b) Monthly
  - c) Daily

## **ACTIVITIES:**

### **1. Creating a database**

- Demonstrate contact management software. (Examples: Top Producer, Outlook and ACT)
- Build a database of names of family, friends and prospects and create a contact management ACTION PLAN. (See Developing A Business Plan)

### **2. Prospecting**

- Demonstrate the 3-foot rule...If I meet you or come within 3 feet of you, I will tell you that I am in real estate.
- Using note cards pick 6 FSBO's and put 1 FSBO on each card. Track your results.

- Role-play taking calls on floor duty.

### **3. Follow Up**

- Show benefits of using database software in follow up with prospects.

### **4. Time Management**

- Tell students to bring their Daytimer or Palm to the first class. Make a checklist of all personal and business activities that need to be done. Write in a notebook/Daytimer/Palm one week of planned activities in time segments of 30 minutes.
- Take a blank calendar and mark who you can have lunch with each day. Also keep a time log of how you are spending your time. Follow the 50/20/20/10 rule – each day spend 50% of your time in prospecting, 20% in follow-up to yesterday's prospecting, 20% in tasks or paperwork, and 10% in education.

### **5. Budgeting your money**

- Have students write down how much money they want to make or must make. Now have them work backwards to see what they must do. Establish goals.

### **6. Developing a business plan**

- Tell students to bring their Daytimer or Palm to the first class. Write one week of activities in time segments of 30 minutes.
- Students create either a full business plan or at least an action plan to begin implementing. A copy of the business plan is emailed to the instructor.

## MODULE II

### WORKING WITH BUYERS (9 HOURS)

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**GOAL:** *The goal of this section is to enable the participants to identify the steps in working with a buyer to find property that meets the buyer's needs, write a purchase agreement and create an estimated closing cost sheet.*

**OBJECTIVES:** *Participants will be able to:*

- *Explain caveat emptor to the buyer*
- *Explain the different types of agency and the appropriate time and way to disclose RECAD.*
- *Apply good communication skills while working with a buyer.*
- *Explain to a buyer the various steps and procedures involved in buying a home.*
- *Apply fair housing and antitrust laws when working with a buyer.*
- *Explain property disclosures, inspections, and financing to a buyer.*
- *Show property in a professional and courteous manner.*
- *Write a clear, unambiguous offer to purchase.*
- *Calculate a buyer's estimated closing costs.*

#### A. Initial meeting with the buyer

1. Caveat Emptor
2. RECAD [§§34-27-80 through 34-27-88; Rule 790-X-3-.13]
  - a) Review of the concept of agency
  - b) Discussion of transaction brokerage/buyer customer
  - c) Discussion of buyer agency/buyer client
  - d) Real Estate Brokerage Services Disclosure Form [§34-27-82; Rule 790-X-3-.13]
  - e) Buyer Agency Agreement
  - f) Limited Consensual Dual Agency Agreement
3. Communication Skills
  - a) Good questioning & listening skills
  - b) Questioning the buyer regarding his/her wants and needs
4. Buyer presentation – Educating the buyer
  - a) The Home Buying Process
  - b) Financing [§34-27-36 (21)]
    - 1) The Mortgage Process [Regulation Z]
    - 2) Conventional, FHA, VA
    - 3) Other types of financing
    - 4) Getting pre-approved vs. getting pre-qualified
  - c) Necessity of professional inspections (*For identification purposes only, not to educate students to be experts in these fields*)
    - 1) Lead Based Paint [Federal Law: 42 U.S.C. 4852 d]
    - 2) Home (General)
    - 3) HVAC
    - 4) EIFS
    - 5) Termite letter vs. Contract
    - 6) Well
    - 7) Septic
    - 8) Mold

- 9) Radon
  - 10) Etc.
- d) Property disclosures
- e) Home warranties
- f) Surveys
- g) Title insurance
- h) The Walk Through
- i) The Closing Process
- 5. Fair Housing & ADA (Americans with Disabilities Act)
  - a) It is not the intent, it is the effect
  - b) Steering
  - c) ADA
  - d) Testing
- 6. Showing property
  - a) Professional courtesies of setting appointments to show
  - b) Taking care of the seller's property
  - c) What to do if your showing schedule is not working out
  - d) Tips on helping the buyer as they look at property
  - e) Antitrust
    - 1) Boycotting
    - 2) Brokerage commissions
  - f) FSBO's & other business models
    - 1) RECAD (agency discussion appropriate here)
    - 2) Negotiating your commission
    - 3) Presenting the offer
    - 4) Earnest money – who's holding the money
    - 5) Estimated closing costs sheet [§34-27-36 (22); Rule 790-X-3-.04]
    - 6) Ordering the documents to close

## **B. Writing the Purchase Agreement**

- 1. Preparing to write the purchase agreement
  - a) Contact listing agent
    - 1) Ask if the property is still available
    - 2) Ask for any disclosure forms, lead-based paint or other property related documents the listing broker has on the property to be faxed or emailed.
    - 3) Ask if there is a current termite contract on the property and, if so, get the details
  - b) Contact qualifying broker if assistance is needed.
  - c) Print current MLS sheet and tax records
  - d) Have buyer contact lender, if necessary, to clarify loan information
  - e) Gather all necessary forms to write a purchase agreement
- 2. Identify comparables or prepare a CMA (Competitive Market Analysis) for the buyer (agency discussion appropriate here)
- 3. Writing the purchase agreement (agency discussion appropriate here) [§§34-27-8(c), 34-27-36(10)]
  - a) Discuss how to write a clear and unambiguous offer
  - b) Earnest money [§34-27-36 (8); Rule 790-X-3-.03]
  - c) Addenda and exhibits
  - d) Seller's and/or buyer's disclosures

- e) Contingencies
  - 1) Types of contingencies
  - 2) Observing/removing contingencies
- 4. Buyer's estimated closing costs [[§34-27-36\(22\); Rule 790-X-3-.04](#)]
  - a) Preparing an estimated closing cost sheet (Discussion of customary and reasonable charges)
  - b) Lender's approval letter
    - 1) Pre-qualified
    - 2) Pre-approved
  - c) Do's and Don'ts related to lenders
    - 1) Good Faith Estimates
    - 2) Agreements outside of closing
  - d) Predatory Lending Practices
    - 1) What are they?
    - 2) How to identify predatory practices

### **ACTIVITIES:**

#### **1. Initial meeting with the buyer**

- Use materials (videotapes, kits, pamphlets and case studies) on fair housing. Realtor.org and HUD.org have resources available.
- Create scenarios to help explain RECAD and what can and cannot be said in the various roles (transaction broker, single agent, LCDA, subagent).
- Have students prepare scripts explaining RECAD.
- Role-play using scenarios, props and scripts with RECAD, especially Limited Consensual Dual Agency.
- Role-play establishing prospective purchasers' NEADS before asking them what type of home they are looking for:

Now ➡ What is your present housing situation?

Enjoy ➡ What do you enjoy most right now about your present home?

Alter ➡ What would you alter or change about your present home?

Decision ➡ Who will be deciding or help decide issues about this purchase?

Soon ➡ How soon would you like to be in your new home?

- Have students practice writing open ended questions (ones that cannot be answered with "yes" or "no") to help discover the buyer's wants and needs.
- Have students pretend to be buyers and fill out a "needs" sheet with + and – next to each "need" to show importance. Do the same for a "wants" sheet. What is most important to you?

- Listening activity: Pretend to be a buyer and say what you want in a house. Have the students go to the computer and pull up houses that meet the criteria from the MLS. Compare the students' results and discuss.
- Role play a first meeting with a buyer and demonstrate necessary skills.
- Go to [fnma.com](http://fnma.com) to receive information on "Becoming a Home Buyer." This is the Fannie Mae Home buying process video that lasts about 10 minutes.
- Use a flow chart outlining the buying process.
- Put together a "Buyer's Presentation" or "Buyer's Package."

## **2. Writing the Purchase Agreement**

- Discuss the importance of pre-qualifying or pre-approving buyers with lenders. (*Clarify the difference between pre-qualified and pre-approved.*) Show an example of a mortgage sheet to use at open house. This sheet will show different ways a buyer can finance the house.
- Prepare a purchase agreement case study to include additional offers and presentations. Demonstrate all and discuss meeting of the minds.
- Show students a written purchase agreement containing mistakes or confusing words and see if they can identify them.
- Practice explaining the purchase agreement to buyers by assigning various parts to each student to present to the class the way they would to a buyer.
- Demonstrate how to use a financial calculator.



## MODULE III

### WORKING WITH SELLERS TO MARKET THEIR PROPERTY (7 Hours)

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**GOAL:** *The goal of this section is to enable the participants to identify the steps in working with a seller to price and market their property, present offers, write counteroffers, and create an estimated closing cost sheet.*

**OBJECTIVES:** *Participants will be able to:*

- *Prepare for a listing appointment, including doing a CMA and creating a marketing plan.*
- *Give a listing presentation and discuss property disclosures.*
- *Apply the fair housing and antitrust laws when working with a seller.*
- *Explain the laws regarding property disclosures.*

**A. RECAD** [§§34-27-80 through 34-27-88; Rule 790-X-3-.13]

1. Discussion of transaction brokerage/seller customer
2. Discussion of agency agreement/seller client
3. Real Estate Brokerage Services Disclosure Form [§34-27-82; Rule 790-X-3-.13]
4. Review of Seller Agency Agreement
5. Review of Limited Consensual Dual Agency Agreement

**B. Preparing to take a listing** [§34-27-36(a)(20),(25)]

1. What to ask the seller prior to the listing appointment
  - a) Reason for selling
  - b) Information about the property
  - c) Documents the seller needs to gather prior to appointment
2. Gathering preliminary information
  - a) Tax records
  - b) MLS Solds/Current/Expireds
  - c) Probate records
  - d) Drive through the neighborhood
3. Pre-listing meeting with seller or pre-listing packets
4. CMA and pricing property
  - a) Dangers of overpricing
  - b) Benefits of proper pricing
  - c) Preparing a CMA

**C. Listing presentation and marketing plan** [§34-27-36(a) (9),(10),(11),(12),(14)]

1. RECAD
  - a) Real Estate Brokerage Services Disclosure form
  - b) Transaction broker
  - c) Single agency
  - d) Subagency
  - e) Limited Consensual Dual Agency
2. Presenting your marketing plan and follow up plan
3. What things will remain or convey with the property

4. Fair Housing
  - a) Blockbusting
  - b) Advertising
  - c) Not discussing the race, color, national origin, religion, sex, handicap, or familial status of a buyer.
5. Antitrust and price fixing
6. Laws regarding disclosure of property condition
  - a) Seller's disclosure [[§34-27-36\(3\)](#)] and caveat emptor
  - b) Lead-based paint [[Federal Law: 42 U.S.C. 4852 d](#)]

### **ACTIVITIES:**

#### **1. RECAD**

- Create scenarios to help explain RECAD and what can and cannot be said in the various roles (transaction broker, single agent, LCDA, subagent).
- Have students prepare scripts explaining RECAD.
- Role-play using scenarios, props and scripts with RECAD, especially Limited Consensual Dual Agency.

#### **2. Preparing to take a listing**

- Use materials (videotapes, kits, pamphlets and case studies) on fair housing. Realtor.org and HUD.org have resources available.
- List the documents that might be sent to a seller in a pre-listing package prior to the listing appointment.
- Have students write down the documents that might be in a listing package.
- Divide students into teams to measure a house on-site, list the amenities, prepare a CMA and pull tax records.

#### **3. Listing presentation and marketing plan**

- Students create a marketing plan by identifying what makes them different and the services that they give sellers.
- Discuss communications with the seller – how, when, and how often.
- Role-play a listing presentation including walking the seller through the process from listing to closing. Include the areas of security and owner's responsibilities. Use visuals as much as possible.
- Practice presenting a CMA to the seller.
- Discuss the difference in pricing a home to sell – 45-day price, 60-day price, and 360-day price.

- Demonstrate the “PET” approach when listing “overpriced” listings – **P**rice, **E**mployment, **T**ime.
- Have students imagine the details on a house they are listing in class and have them write ads for the house they pretend to list. Exchange ads and look for license law or fair housing violations. Note things in the ad that will make the phone ring.
- Ask the seller to help you write the first ad...they know what sold them on the house.

## MODULE IV

### NEGOTIATING OFFERS (2 Hours)

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**GOAL:** *The goal of this section is to enable the participants to develop good negotiating skills, know when they are allowed to use these skills, and know how to present offers and counteroffers.*

**OBJECTIVES:** *Participants will be able to:*

- *Use good negotiating skills*
- *Present offers and counteroffers*
- *Demonstrate how to handle multiple offers*
- *Demonstrate how to handle backup offers*
- *Recognize the necessity of an agency relationship in order to negotiate*

#### **A. Negotiating skills** (agency discussion appropriate here)

1. Basic steps of good negotiations
2. Reading people
3. The art of listening
4. Silence is golden

#### **B. Presenting offers & counteroffers**

1. To a seller [§34-27-36(a)(10); Rule 790-X-3-.03; Rule 790-X-3-.04; Rule 790-X-3-.08]
  - a) Explain contents of the offer
  - b) Explain the consequences of changing the offer or countering
  - c) Create an estimated closing costs sheet
2. FSBOs & other business models
3. Counteroffers to a buyer
  - a) Explain contents of the offer
  - b) Explain the consequences of changing the offer or countering
  - c) Create an estimated closing costs sheet
4. Multiple offers
5. Backup offers
6. Agency considerations

#### **ACTIVITIES:**

##### **1. Negotiating skills**

- Discuss buyer agency and negotiating. Review how the offer will be presented to the seller when you are in single agency with the buyer.
- Discuss where to present the offer and the important parts of negotiations

## **2. Presenting offers & counteroffers**

- Write items of a contract or negotiation on pieces of paper and place them in a jar. Make some legitimate and others not. Each student pulls an item and decides if it is legitimate and, if not, how to prevent it.
- Divide students into two groups: sellers and agents. Role-play presenting the offer to the seller. Include doing a seller's estimated closing statement.
- Discuss the notice of acceptance – when is it a contract?

## MODULE V

### FROM CONTRACT TO CLOSING (2 HOURS)

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**GOALS:** *The goal of this section is to enable the participants to identify the tasks that must be performed to properly complete/close the transaction.*

**OBJECTIVES:** *Participants will be able to:*

- *Assist/advise a buyer and/or seller in the various steps needed to properly complete/close the transaction.*
- *Apply good communications with a customer or client during this phase of the transaction.*

**A. Buyer considerations** (customs and practices vary)

1. Observe time conditions/limitations in the contract
2. Mortgage application
3. Appraisal
4. Home inspections
5. Homeowner's insurance
6. Survey
7. Alabama Wood Infestation Report & contracts
8. Title insurance
9. Home warranties
10. Walk through
11. Funds to bring to closing (amount and type)

**B. Seller considerations** (customs and practices vary)

1. Observe time conditions/limitations in the contract
2. Mortgage payoff
3. Title insurance
4. Repairs
5. Things to be left in the home
6. Possessions and change of keys
7. Turn off of utilities and cancel insurance

**C. Good communications make for a smooth closing**

1. Schedule the closing
2. Communications between agents
3. Coordinate with the lender, title company, surveyor, termite company, attorney, etc.

**D. Closing**

**E. Follow Up**

**ACTIVITIES:**

**1. Buyer considerations**

- Make a list of the items that the buyer needs to have completed prior to closing.

**2. Seller considerations**

- Make a list of the items that the seller needs to have completed prior to closing.

### **3. Good communications make for a smooth closing**

- Do a skit on a mock closing on the purchase agreement done in Module II.
- Make a list of students' past experiences in the home sales process – what they liked, what they disliked, etc.

## **MODULE VI**

### **AVOIDING LIABILITIES (3 Hours)**

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**GOALS:** *The goal of this section is to enable the participants to recognize areas of liabilities that exist in the practice of real estate and how to avoid them.*

**OBJECTIVES:** *Participants will be able to:*

- *Explain agency and the responsibilities associated with agency.*
- *Identify the importance of disclosures and how and when to use them.*
- *Apply Alabama License Law and other laws to the daily practice of real estate.*

#### **A. Caveat emptor**

#### **B. Seller's disclosures**

#### **C. Do Not Call laws**

#### **D. Agency**

#### **E. Risk Management 101 on AREC Web site [[www.arec.state.al.us](http://www.arec.state.al.us)]**

(Click on "Legal" at the top of the page and then click on "Risk Management 101" in the drop down menu.)

#### **F. Risk when you buy and sell property owned by yourself**

#### **G. CE requirements [[§34-27-33 \(c\)\(4\)](#); [§34-27-35 \(j\)\(1\)](#); [Rule 790-X-1-.11](#)]**

1. Completion of the post license course satisfies the CE requirements for the licensee's first renewal.
2. 15 hours of continuing education are needed for renewal of licenses in subsequent years.

#### **H. E&O insurance**

#### **I. Red flags**

#### **J. Paper trails**

#### **K. Change of name or address [[Rule 790-X-3-.01](#)]**

### **ACTIVITIES:**

#### **1. Caveat emptor**

- List the ways caveat emptor affects the actions of a licensee when dealing with a buyer client or customer.

#### **2. Seller's disclosures**

- Practice an explanation to a seller of the Property Condition disclosure form and how to complete it.
- Role-play proper presentation of the seller's Property Condition disclosure to the buyer.

#### **3. Do Not Call laws**

- Access [www.donotcall.gov](http://www.donotcall.gov) for information.



**4. Risk Management 101 on Alabama Real Estate Commission Web site**

- Play a version of telephone or old whispering game. Whisper a statement to one person and have the student whisper it to the next and so on. Once everyone has heard the statement have the first and last person state what they heard.

**5. Risk when you buy and sell property owned by yourself**

- Make a list of license law requirements for licensees who sell their own property.

## **MODULE VII**

### **SESSIONS OF INSTRUCTOR'S CHOICE (3 Hours)**

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The instructor may use these hours to cover any of the topics listed below or may use them as additional time to cover the goals and objectives in Modules I – VI of this outline

- A. New construction and writing building contracts**
- B. Investment property**
- C. Commercial transactions**
- D. Technology in real estate**
- E. Additional financing**
- F. Farm & land**
- G. Condos**
- H. Property management**
- I. Resort properties**

## **MODULE VIII**

### **REVIEW AND TEST (1 Hour)**

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*The course is over but you're not finished.*

*The instructor will review instructions regarding applying for an original (permanent) license. [§34-27-33(c)(2); Rule 790-X-2-.03(1),(6)]*

*The instructor will review future CE requirements [§§34-27-35(j)(1); 34-27-33(c)(4)] and may wish to discuss future educational opportunities or designations.*

*Note: According to Rule 790-X-1-.08 "A guest instructor(s) may conduct a course in the absence of any approved instructor so long as the amount of time the course is conducted by guest instructor(s) in absence of an approved instructor does not exceed twenty (20) percent of the total classroom time covered by the course. The approved instructor must notify the Real Estate Commission in writing each time a guest instructor will teach the class during his/her absence. Notification must take place prior to the class meeting."*

*Also, "Guest instructors with expertise in particular areas may be used at any time without limitation so long as an approved instructor is present during their respective presentations."*